AIPLA
AMERICAN INTELLECTUAL PROPERTY LAW ASSOCIATION

January 7, 2011

The Honorable David J. Kappos
Under Secretary of Commerce for Intellectual Property and
Director of the United States Patent and Trademark Office
P.O. Box 1450
Alexandria, VA 22313-1450

Response to USPTO "Request for Comments on Trademark Litigation Tactics"
<http://www.uspto.gov/trademarks/bullies_survey.jsp>

Dear Under Secretary Kappos:

The American Intellectual Property Law Association (AIPLA) appreciates the opportunity to offer a response to the "Request for Comments on Trademark Litigation Tactics," as posted on the USPTO web site at <http://www.uspto.gov/trademarks/bullies_survey.jsp>. AIPLA is a national bar association with approximately 16,000 members who are primarily lawyers in private and corporate practice, in government service, and in the academic community. AIPLA represents a wide and diverse spectrum of individuals, companies, and institutions involved directly or indirectly in the practice of patent, trademark, copyright, and unfair competition law, as well as other fields of law affecting intellectual property. Our members represent both owners and users of intellectual property.

Background

The Trademark Technical and Conforming Amendment Act of 2010 became effective on March 17, 2010. Pub. L. No. 111-146, 124 Stat. 66 (2010). The Act includes a provision that the Secretary of Commerce, in consultation with the Intellectual Property Enforcement Coordinator, shall conduct a study and report to the Committees on the Judiciary of the House and Senate on:

> "(1) the extent to which small businesses may be harmed by litigation tactics the purpose of which is to enforce trademark rights beyond a reasonable interpretation of the scope of the rights granted to the trademark owner; and

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(2) the best use of Federal Government services to protect trademarks and prevent counterfeiting."[1]

The study and report shall also include any policy recommendations deemed appropriate.

In connection with the study, the United States Patent and Trademark Office ("USPTO") is requesting feedback from U.S. trademark owners, practitioners, and others regarding their experiences with litigation tactics, especially those involving an attempt to enforce trademark rights beyond a reasonable interpretation of the scope of the rights granted to the trademark owner. The USPTO also is eliciting suggestions to address any allegedly problematic litigation tactics.

On its website, the USPTO has listed a dozen questions from which it seeks responses from trademark owners and practitioners. These questions include, for example, whether the respondent is aware of any instances where a small business may have been the target of litigation tactics attempting to enforce trademark rights beyond a reasonable interpretation of the scope of rights granted to the trademark owner, or where opposition/cancellation proceedings were instituted at the USPTO against small business owners.

The Bill and ensuing comments have inappropriately been characterized as a discussion about "bullying." Notably, the USPTO questionnaire asks, "Do you think trademark 'bullies' are currently a problem for trademark owners, and if so, how significant is the problem?"[2] The following clarification appears in a footnote: "A trademark 'bully' could be described as a trademark owner that uses its trademark rights to harass and intimidate another business beyond what the law might be reasonably interpreted to allow." AIPLA believes that this definition unfairly characterizes trademark owners who assert their legitimate rights under the law and assumes ill intent without defining what might be considered "harassment" or "intimidation." Reasonable minds can differ as to the proper scope which should be afforded to marks and whether a likelihood of confusion and/or a likelihood of dilution may exist.

While AIPLA does not condone abusive tactics, aggressive enforcement of a trademark does not automatically equate to abuse. Use of the pejorative terms "bullies" and "bullying" is misleading and unfair in light of trademark owners' duty to police their marks and protect consumers from marketplace confusion, as discussed more fully below.

AIPLA advises against regulation aimed at trademark abuse in favor of existing remedies. Trademark enforcement protects consumers, and overly aggressive litigation tactics are no more pervasive in trademark cases than other civil litigation.

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[1] Trademark Technical and Conforming Amendment Act §4(a), as amended by the Copyright Cleanup, Clarification, and Corrections Act of 2010, S. 3689, which was signed by the President on December 9th and became Public Law No: 111-295. The original provision read, "...by litigation tactics by corporations attempting to enforce..."

[2] The list of 12 questions appearing on the USPTO website is appended hereto.

Discussion

After considering the issue, AIPLA has concluded that regulation, legislation, or other activity specifically aimed at abusive trademark enforcement efforts would be ill-advised. Most importantly, trademark owners are encouraged and expected to aggressively enforce their trademarks to further the public interest and protect consumers from marketplace deception and confusion. While AIPLA agrees that overly aggressive tactics which rise to the level of abuse or "bullying"—as we understand that term—should not be condoned, existing remedies are available to deter and address such behavior.

Further, enacting additional measures to combat trademark abuse runs the risk of contravening the fundamental purpose of the Lanham Act: consumer protection. Specifically, such measures would be: (a) contrary to the public interest in avoiding marketplace confusion; (b) inconsistent with long-standing principles of trademark law which encourage, and even require, trademark owners to aggressively police their marks; (c) incapable of consistent application; (d) addressing situations which have not been shown to be a significant problem; and (e) unnecessary in view of existing statutory provisions, civil procedure rules, and the inherent power of courts to protect against meritless claims.

1. Trademark Enforcement Plays a Vital Role in Protecting Consumers.

Trademark enforcement serves the public interest by protecting consumers from marketplace confusion and deception. Trademarks are vital tools which distinguish products and businesses and convey a sense of reputation, quality, affiliation, endorsement and/or sponsorship. As Justice O'Connor stated, trademark infringement not only "inhibits competition," but also "deprives consumers of their ability to distinguish among the goods of competing manufacturers."[3] As the case law routinely notes, the public interest is advanced by challenging infringement. "The Supreme Court has held that the Lanham Act exists to insure that the owner of a trademark reaps the benefits of the goodwill of his business, and 'to protect the ability of consumers to distinguish among competing producers.'"[4] "The reason is simple: the public deserves not to be led astray by the use of inevitably confusing marks. . ."[5] Thus, sufficient—and sometimes aggressive—trademark enforcement plays a vital role in consumer protection.

The duty to police the marketplace and act to prevent confusion rests not on consumers but rather on the shoulders of trademark owners. While consumers may have standing to sue a trademark infringer under state law, the consumer's stake is small in most cases, making cost-efficient litigation by consumers a rarity. Thus, trademark owners act, not only in their own interests, but in the public interest.

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[3] *Inwood Laboratories, Inc. v. Ives Laboratories, Inc.*, 456 U.S. 844, n.14, 72 L. Ed. 2d 606, 102 S. Ct. 2182, 214 U.S.P.Q. 1 (1982).

[4] *Mary Kay, Inc. v. Weber*, 661 F. Supp. 2d 632, 640 (N.D. Tex. 2009) (*quoting Park 'N Fly, Inc. v. Dollar Park & Fly*, Inc., 469 U.S. 189, 198 (1985)).

[5] *Angel Flight of Ga., Inc. v. Angel Flight Am., Inc.*, 522 F.3d 1200, 1209 (11th Cir. 2008.)

Courts routinely recognize that the law of trademarks and unfair competition does not solely protect a property right of the trademark owner, but also protects the right of the consuming public to be told the truth.[6] For this reason, trademark owners are "**expected to be, and are entitled to be, aggressive in asserting their rights against others.**"[7]

2. Trademark Owners Have an Affirmative Obligation to Police the Marketplace.

Trademark law encourages trademark owners to vigilantly protect their marks. Trademark owners risk losing their trademark rights if they do not effectively prevent infringements. The obligation of trademark owners to police the relevant market for infringers is well established. Professor McCarthy's well-respected commentary on this point outlines the risks of not being vigilant:

> The law imposes on trademark owners the duty to be pro-active and to police the relevant market for infringers. If the trademark owner is quiescent and tolerates the encroachment of infringers, it will find that its trademark asset has "eroded" and "shrunken" because the strength of its mark as a distinctive and distinguishing symbol has been diminished by the presence of similar marks. ... [T]he trademark owner must anticipate constant "maintenance" of its trademark property by policing and enforcing the exclusivity of its trademark symbol in its marketplace. **Thus, the corporate owners of trademarks have a duty to protect and preserve the corporation's trademark assets through vigilant policing and appropriate acts of enforcement.** Inaction will inevitably lead to erosion of those key corporate assets: the marks that identify and distinguish the corporation's goods and services.

2 McCarthy on Trademarks & Unfair Competition, § 11:91 (4th Ed) (emphasis added).

McCarthy's point on aggressive enforcement litigation is especially instructive here:

> Some trademark owners are reluctant to be assertive in suing infringers because of fear of an antitrust charge that they were overly aggressive in suing. But this is a largely overblown fear. As a court said when faced with a suit for infringement of the BEEFEATER gin trademark:

[6] 1 McCarthy on Trademarks & Unfair Competition, 2:33 (4th Ed).

[7] 2 McCarthy on Trademarks & Unfair Competition, § 11:91 (4th Ed) (emphasis added) (*quoting James Burrough, Ltd. V. Lesher*, 309 F. Supp. 1154, 163 U.S.P.Q. 208 (S.D. Ind. 1969).

> In view of the strength of the mark and the very substantial goodwill attaching to it, **plaintiffs can be expected to be, and are entitled to be, aggressive in asserting their rights against others**. Any coercion involved, or monopolization effected, is no more than plaintiffs are entitled to exert and effect under the law.

2 McCarthy on Trademarks & Unfair Competition, § 11:91 (4th Ed) (emphasis added) (*quoting James Burrough, Ltd. V. Lesher*, 309 F. Supp. 1154, 163 U.S.P.Q. 208 (S.D. Ind. 1969).

Finally, as McCarthy points out, even when the plaintiff fights hard and loses its trademark suit, this does not mean that there was bad faith enforcement. When Procter & Gamble lost a trademark suit, Judge Leval noted that:

> Procter & Gamble cannot be faulted for zealously protecting [its] trademark interest. Indeed, the trademark law not only encourages but requires one to be vigilant on pain of losing exclusive rights. ... [I]n going to war ... P & G was entitled to use all the ammunition it had.

Procter & Gamble Co. v. Johnson & Johnson, Inc., 485 F. Supp. 1185, 205 U.S.P.Q. 697 (S.D.N.Y. 1979), aff'd without op., 636 F.2d 1203 (2d Cir. 1980).

The real question, according to McCarthy, "is public perception of plaintiff's mark," i.e., whether there has been a marketplace loss of distinctiveness, and "not a battle count of how often it has sued others."[8]

Infringement claims brought against junior marks are rarely "slam dunks," and each requires an interpretation of numerous factors, including, but not limited to, the strength of the marks, similarities in the marks' appearance, sound and meaning, similarities between the goods and services with which the marks are used, similarities or overlap in marketing channels, geographic scope of use of the marks, sophistication of the target consumers, and likely expansion efforts. Reasonable minds can—and often do—disagree regarding whether a likelihood of consumer confusion exists. Trademark owners must make a judgment call and are entitled—even encouraged—to err on the side of vigilant protection.

Legislation or other action that would restrict or chill the trademark enforcement process would appear to be at odds with these well-established, and generally accepted, principles of vigilance. Trademark owners faced with "close calls" about whether a mark is confusingly similar, or could become confusingly similar, to their own marks would need to strongly reconsider enforcement litigation to avoid potential exposure to civil or criminal sanctions or penalties. This would chill trademark enforcement efforts and contribute to the loss of trademark distinctiveness. Without effective ways to distinguish between and among sources of products and services, consumers will suffer the consequence of increased marketplace confusion resulting from such legislation or action.

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[8] 2 McCarthy on Trademarks & Unfair Competition, § 11:91 (4th Ed).

3. It Would Be Difficult to Define a "Reasonable Interpretation" of a Trademark Owner's Scope of Rights.

As indicated above, the USPTO's Questionnaire defines a "trademark bully" as "a trademark owner that uses its trademark rights to harass and intimidate another business beyond what the law might be reasonably interpreted to allow." Any legislation incorporating this definition would probably be rife with ambiguity. Trademark owners, already wary of potential penalties, would face even more uncertainty and reluctance because of the difficulties in evaluating whether the law would "reasonably" support their enforcement efforts.

As also noted above, a determination of whether there is a likelihood of confusion between marks is a multi-factor analysis where reasonable people disagree. Even where no significant likelihood of confusion exists between marks, the trademark owner may still feel there is a risk that the junior mark dilutes the distinctiveness of the senior famous mark. The degree to which a mark is deemed famous and is likely to be diluted likewise requires multi-factor analysis subject to interpretation.

Moreover, from whose perspective would a court decide what is reasonable for the purpose of applying the "trademark bully" label? And, who decides what "might be" reasonable under the circumstances, since those additional qualifying terms appear in the USPTO's definition?

The standard articulated by the USPTO also appears to be that of simple negligence, a concept unfamiliar to the Lanham Act, where intent, except for purposes of determining damages, is generally not determinative. This is at odds with the traditional definition of "bullying," which requires a pattern of intentional harm: "Bullying is an act of repeated aggressive behavior in order to intentionally hurt another person, physically or mentally. Bullying is characterized by an individual behaving in a certain way to gain power over another person."[9] Businesses make decisions every day under every facet of the law about whether to challenge another company. Legislation or regulation aimed solely at trademark owners is inappropriate and unnecessary in light of the existing remedies available to those who feel abused.

4. AIPLA Finds No Persuasive Evidence That a Problem Exists in Trademark Enforcement Litigation.

Besides anecdotal evidence of a few instances where small entities have complained of overreaching trademark owners, AIPLA is not aware of significant abusive enforcement tactics which would rise to a level warranting corrective measures beyond the remedies that currently exist. Moreover, in some of the cases of so-called "bullying" which have been raised, reasonable minds can differ as to whether a complaint was truly improper.

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[9] *See* Wikipedia, www.wikipedia.com, accessed on November 15, 2010; it is consistent with that found in Dictionary.com: "a blustering, quarrelsome, overbearing person who habitually badgers and intimidates smaller or weaker people."

5. Other Protections Exist.

As noted above, overly aggressive litigation tactics are not unique to trademark law. Small businesses who fear that they are victims of litigation abuse in any area of the law have other existing legal tools available to them for vexatious or bad faith litigation tactics, including, most notably, Rule 11 sanctions. With respect to trademarks, these remedies are available not only through the courts, but also in cancellation and opposition proceedings before the USPTO Trademark Trial and Appeal Board ("TTAB"). In addition, reasonable attorneys' fees can be and have been awarded to prevailing defendants in "exceptional" federal district court cases under the Lanham Act.[10] Defendants can use the procedural vehicles of dispositive motions and declaratory judgments to curtail improper challenges. Egregious enforcement tactics in some cases could constitute a violation of antitrust law.[11] Finally, courts, of course, have inherent power to sanction abusive or otherwise improper litigation tactics.[12]

Further, businesses that feel they are victims of abuse often have the media and the general public on their side. Many of the questions set forth in the USPTO's Questionnaire are geared toward the protection of small businesses from larger trademark owners. The mere fact that there may be a disparity in the size or resources of a trademark owner versus a junior trademark user does not automatically render the claim to be abusive "bullying." Any time a larger company challenges a small business there is the risk to the larger company that the public will view the larger company's challenge as a "David v. Goliath" conflict. The small business may use the size difference to its advantage. The larger company, in bringing a claim against a small business, risks negative publicity and adverse public perception that it is a legal tyrant. Many small businesses have succeeded in negotiating a swift resolution to claims on the basis of a negative media campaign against the larger company—even when the larger company's legal position is defensible. Companies that engage in abusive litigation tactics are at greater risk for lost sales and harm to their reputations for seeking unreasonably broad enforcement of their trademarks. Small companies wield great media power against so-called "bullies."

Conclusion

For all of the foregoing reasons, AIPLA opposes regulation, legislation, or other activity specifically aimed at abusive trademark enforcement efforts in favor of existing remedies for abusive litigation and other overreaching assertions of rights in general. Enacting additional measures to combat trademark abuse runs the risk of contravening the fundamental purpose of the Lanham Act: consumer protection.

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[10] *See* 15 U.S.C. § 1117(a).

[11] 15 U.S.C. § 1115(b)(7).

[12] For an example of how courts have effectively dealt with abusive behavior in trademark cases, see *Central Mfg Co. v. Brett*, 2005 U.S. Dist. LEXIS 23379, 78 U.S.P.Q.2d 1662 (N.D. Ill. 2005).

Specifically, such measures would be: (a) contrary to the public interest in avoiding marketplace confusion; (b) inconsistent with long-standing principles of trademark law which encourage, and even require, trademark owners to aggressively police their marks; (c) incapable of consistent application; (d) addressing situations which have not been shown to be a significant problem; and (e) unnecessary in view of existing statutory provisions, civil procedure rules, and the inherent power of courts to protect against meritless claims.

We appreciate the opportunity to provide AIPLA's response to the "Request for Comments on Trademark Litigation Tactics" and would be pleased to answer any questions our comments may raise. We look forward to participation in the continuing development of rules applicable to USPTO trademark practice.

Sincerely,

Q. Todd Dickinson
Executive Director
AIPLA

Request for Comments: Trademark Litigation Tactics
Questions Appearing on USPTO's Website
<http://www.uspto.gov/trademarks/bullies_survey.jsp>

1. Please identify whether you are a trademark owner or practitioner, and the general size and nature of your business or trademark practice, including the number of trademark applications and registrations your business has, or your practice handles. Please note that the USPTO will fully consider any comments you submit, even if you choose not to identify yourself in a particular manner.

2. In approximately the last 5 years, please describe any instances of which you have first-hand knowledge where a small business may have been the target of litigation tactics attempting to enforce trademark rights beyond a reasonable interpretation of the scope of the rights granted to the trademark owner.

3. Please describe situations where you have been involved in receiving a cease-and-desist letter. Anecdotal information might include, but is not limited to, a description of whether the letter resulted in the small business ceasing its use of one or more marks, or whether the sender of the cease-and-desist letter withdrew or abandoned its demands against the small business owner.

4. Please describe situations where you have been involved in trademark litigation in state or federal courts. Anecdotal information might include, but is not limited to, a description of whether the lawsuit settled on the basis of the small business agreeing to cease its use of one or more marks, or on the basis of the plaintiff withdrawing or abandoning its trademark-related allegation(s). Alternatively, relevant information might include whether such lawsuits resulted in a court judgment and the nature of the judgment (such as requiring the small business to cease its use of one or more marks, assessing monetary liability (damages, lost profits, or attorneys' fees) against the small business, requiring the plaintiff to pay the defendant's attorneys' fees, or imposing sanctions against the plaintiff under Rule 11 of the Federal Rules of Civil Procedure).

5. Please describe situations where you have been involved in opposition/cancellation proceedings instituted at the USPTO against small business owners. Anecdotal information might include, but is not limited to, a description of whether the proceedings settled on the basis of the small business agreeing to abandon its application(s) for one or more marks, or whether the proceedings settled on the basis of the plaintiff withdrawing or abandoning its notice of opposition or cancellation petition. Alternatively, relevant information might include a description of whether such proceedings resulted in a decision by the TTAB refusing to register/canceling one or more marks owned by the small business, or whether such proceedings resulted in the TTAB imposing sanctions against the plaintiff under Rule 11 of the Federal Rules of Civil Procedure.

6. Do you think trademark "bullies" [1] are currently a problem for trademark owners, and if so, how significant is the problem?

7. Do you think aggressive litigation tactics are more pervasive in the trademark area than in other areas of the law?

8. Do you think the USPTO has a responsibility to do something to discourage or prevent trademark bullying? If yes, what should the USPTO do?

9. Do you think the U.S. courts have a responsibility to do something to discourage trademark bullies? If yes, what should the U.S. courts do?

10. What other U.S. agencies may have a responsibility to do something about the problem?

11. Do you think Congress has a responsibility to do something to discourage or prevent trademark bullying? If yes, what should Congress do?

12. Please provide any other comments you may have.

Brown, Brian (TM)

From: TMFeedback
Sent: Friday, January 07, 2011 4:40 PM
To: Brown, Brian (TM)
Subject: FW: Small Business Study
Attachments: AIPLACommentstoUPSTOonTrademarkLitigationTactics-01 7 11.pdf

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From: Vincent Garlock [(b)(6)]
Sent: Friday, January 07, 2011 3:17 PM
To: TMFeedback
Cc: James Crowne; Todd Dickinson; 'david.hill@finnegan.com'; Albert Tramposch
Subject: Small Business Study

On behalf of the American Intellectual Property Law Association (AIPLA), please find attached our comments for your consideration regarding the Small Business Study on trademark litigation.

Thank you in advance for considering this submission.

Regards,

Vince Garlock

VINCENT E. GARLOCK
Deputy Executive Director

AIPLA

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